

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0646-01
Bill No.: HB 311
Subject: Boards, Commissions, Committees, Councils; Contracts and Contractors;
Construction and Building Codes; Licenses - Professional
Type: Original
Date: February 23, 2011

Bill Summary: Creates the Missouri Electrical Industry Licensing Board to license certain electrical contractors.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Missouri Electrical Industry Licensing	\$0	\$353,683	(\$126,549)
PR Fees	(\$87,512)	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$87,512)	\$353,683	(\$126,549)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Missouri Electrical Industry Licensing	1.5	1.5	1.5
Total Estimated Net Effect on FTE	1.5	1.5	1.5

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator, Department of Revenue, Missouri Senate, Office of Prosecution Services and Office of State Treasurer** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Office of the Governor (GOV)** assume the proposal will result in no added costs for the GOV. However, if additional duties are placed on the office related to appointments in other TAFP legislation, there may be the need for additional staff resources in future years.

Officials from the **Office of Administration (COA) - Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload. However, if other similar bills also pass, there are more cases, or the cases are more complex, there could be a fiscal impact.

Officials from the **COA - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to the BAP.

This proposal creates the Missouri Electrical Industry Licensing Board to assess and administer licenses to certain electrical contractors. This proposal will increase total state revenue by an unknown amount. The BAP defers to the Department of Insurance, Financial Institutions and Professional Registration for an estimate of increased revenues and associated costs.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of the State Public Defender (SPD)** assume increasing penalties on existing crimes, or creating new crimes, will require more SPD resources. While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional appropriations for this specific bill, the SPD will continue to request sufficient appropriations to provide competent and effective representation in all its cases. SPD assumes a minimal unknown impact.

ASSUMPTION (continued)

Oversight assumes the Office of the State Public Defender (SPD) could absorb the costs of the proposed legislation within existing resources. Oversight assumes any significant increase in the workload of the SPD would be reflected in future budget requests.

Officials from the **Office of Attorney General (AGO)** state the proposal provides for appeals from the new board's licensure denials and disciplinary actions, as well as litigation for injunctive actions. The AGO assumes that it would need 0.5 FTE Assistant Attorney General I to handle the increased caseload and resulting litigation for the Board, and may seek an additional future appropriation if the proposal results in significant referrals.

The AGO estimates FY 12 costs of \$35,864; FY 13 costs of \$38,693; and FY 14 costs of \$39,170.

Oversight assumes the Department of Insurance, Financial Institutions, and Professional Registration will reimburse the AGO for any costs incurred in representing the new board.

Officials from **St. Louis County (County)** assume the County will incur a cost relating to its master permit system which issues electrical permits only to recognized electrical license numbers. The re-programming costs are usually high, if the system can be re-programmed at all, to recognize state licenses.

There will be travel costs associated with license hearings that result from complaints/charges alleged by St. Louis County. The County would need to send witnesses to Jefferson City to testify to support our case or charges. St. Louis County averages three (3) license hearings per year. Lost wages, per diem, and mileage could exceed several thousand dollars per year.

The County will still incur the cost of an electrical licensing specialist to receive, track and maintain electrical bonds, insurance and the set-up and maintenance of the state electrical license holder in the master permit system to obtain permits.

The County estimates losses for 2011 would be small but losses will increase in each ensuing year as the state licensure eventually replaces the County license. Currently, County licenses generate approximately \$60,000 per year in license fees to provide revenue for the electrical licensing specialist position.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state based on a projection from a member of the association, it is estimated that 1,000 individuals in the state of Missouri will be required to be licensed. The DIFP estimates licensing and renewal fees of \$490, biennially. It is estimated that the collection

ASSUMPTION (continued)

of initial license fees will begin in FY 13 and renewal fees will not be collected until FY 15. Once the fees for the board are established by rule, other fees could offset the estimated costs. FY 13 revenues to the Missouri Electrical Industry Licensing Fund are estimated to be \$490,000. In addition, a 3% growth rate is estimated.

It is assumed that all fees collected would be deposited in the Missouri Electrical Industry Licensing Fund and that all expenses would be paid out of that fund. However, the DIFP assumes no revenue will be generated by the Missouri Electrical Industry Licensing Board in the first year. Therefore, expenses incurred by the board will be paid back to the PR Fees Fund by a lending board within the division, pursuant to section 324.016, RSMo. It is estimated payback of any outstanding loans would be made in FY 2015. However, should the number of licensees vary significantly from the number estimated, the licensure fees will be adjusted accordingly.

Based on boards of similar size, it is assumed that 1.5 FTE will be needed: One part-time (0.5 FTE) Principle Assistant (\$49,104 annually) to serve as the senior executive officer of the licensing agency; one part-time (0.5 FTE) Licensure Technician II (\$25,380 annually) to provide technical support, process applications, and respond to inquiries related to the licensure law and/or rules and regulations; and one part-time (0.5 FTE) Investigator II (\$35,592 annually) to conduct investigations and inspections, service notices and gather information required by the board.

Based on a board of similar size, it is estimated that the board will receive approximately 21 complaints annually. However, the DIFP does not anticipate the board receiving any complaints until FY 13. It is estimated that 15% of the complaints filed (3) would require field investigations. It is further estimated that 50% of the complaints that are investigated would require an investigator to incur overnight expenses. Therefore, it is assumed investigation costs will be approximately \$274 annually.

The DIFP assumes that board meetings will cost approximately \$1,944 per meeting (8 board members) and that the board will meet four (4) times per year. It is also assumed that printing and postage costs will be approximately \$12,500 for FY 12 and \$2,083 annually thereafter. Attorney General Office and Administrative Hearing Commission (AHC) costs will be approximately \$21,284 per year (AHC costs will not be incurred until FY 13). These costs are based on boards of similar size.

During the first year of implementation, costs are calculated for the design, program and implementation of the licensure program for new boards. It is estimated total licensure system costs will be \$540 in FY 12.

ASSUMPTION (continued)

Boards within the Division of Professional Registration (DPR) incur division-wide expenses based on specific board licensee averages in addition to department and Office of Administration cost allocation plans. Based on boards of similar size, it is estimated \$11,320 annually of allocated expenses need to be considered in calculating the anticipated license and renewal fees. These expenses will not require additional appropriation for the DPR Transfer Core budget.

Oversight assumes the division-wide expenses allocated to the Missouri Electrical Industry Licensing Board will result in an equal reduction in expenses allocated to other boards within the Division of Professional Registration.

No other counties responded to **Oversight's** request for a statement of fiscal impact.

This proposal will result in an increase in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
MISSOURI ELECTRICAL INDUSTRY LICENSING FUND			
<u>Transfer-In - DIFP</u>			
Transfer-in from PR Fees Fund	\$87,512	\$0	\$0
<u>Income - DIFP</u>			
License/renewal fees	\$0	\$490,000	\$14,700
<u>Costs - DIFP</u>			
Personal service (1.5 FTE)	(\$23,101)	(\$60,068)	(\$60,624)
Fringe benefits	(\$12,091)	(\$31,440)	(\$31,731)
Equipment and expense	(\$34,159)	(\$22,993)	(\$25,973)
AGO and AHC costs	<u>(\$18,161)</u>	<u>(\$21,816)</u>	<u>(\$22,921)</u>
Total <u>Costs</u> - DIFP	<u>(\$87,512)</u>	<u>(\$136,317)</u>	<u>(\$141,249)</u>
FTE Change - DIFP	1.5 FTE	1.5 FTE	1.5 FTE
ESTIMATED NET EFFECT ON MISSOURI ELECTRICAL INDUSTRY LICENSING FUND			
	<u>\$0</u>	<u>\$353,683</u>	<u>(\$126,549)</u>
Estimated Net FTE Change on Missouri Electrical Industry Licensing Fund	1.5 FTE	1.5 FTE	1.5 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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PR FEES FUND

Transfer-out - DIFP

Transfer to Missouri Electrical Industry Licensing Fund	(\$87,512)	\$0	\$0
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ESTIMATED NET EFFECT ON PR FEES FUND	<u>(\$87,512)</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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**LOCAL GOVERNMENTS -
COUNTIES**

Loss - St. Louis County

Reduction in license fee revenue	(Unknown, minimal)	(Unknown up to \$60,000)	(Unknown up to \$60,000)
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Costs - St. Louis County

Re-programming fees	(Unknown)	(Unknown)	(Unknown)
Travel, mileage and per diem	(Unknown)	(Unknown)	(Unknown)
Total <u>Costs</u> - St. Louis County	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - COUNTIES	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

The proposal would have a direct fiscal impact on small business electrical contractors as they would be required to obtain a state license.

FISCAL DESCRIPTION

This proposal establishes the Missouri Electrical Industry Licensing Board in the Division of Professional Registration within the Department of Insurance, Financial Institutions and Professional Registration to regulate and license electrical contractors. In its main provisions, the proposal: (1) Specifies that the board's eight members, appointed by the Governor with the

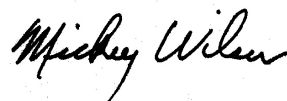
FISCAL DESCRIPTION (continued)

advice and consent of the Senate, will serve four-year terms, not to exceed two terms; (2) Requires the board to meet at least four times annually and allows board members to be reimbursed for expenses and receive compensation of up to \$70 per day for expenses incurred in the performance of the member's official duties; (3) Specifies that an electrical contractor operating in a political subdivision which does not require the contractor to hold a local license will not be required to have a state license. A political subdivision will not be prohibited from establishing its own local license but must recognize a statewide license in lieu of a local license for the purposes of performing work or obtaining permits to perform work within the political subdivision; (4) Requires the division to establish licensing fees to cover administrative costs and authorizes the division to negotiate reciprocal licensing agreements with other states; (5) Creates the Missouri Electrical Industry Licensing Board Fund which will be used solely for the administration and operation of the board; and (5) Allows the board to file a complaint against a contractor with the Administrative Hearing Commission and to suspend or revoke a license based on the commission's findings. Any person or corporation who knowingly violates these provisions will be guilty of a class B misdemeanor.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration -
 Administrative Hearing Commission
 Division of Budget and Planning
Office of State Courts Administrator
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Office of the Governor
Office of Prosecution Services
Missouri Senate
Office of Secretary of State
Office of State Public Defender
Office of State Treasurer
St. Louis County



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